

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-56833; File No. SR-CHX-2007-26)

November 21, 2007

Self-Regulatory Organizations; The Chicago Stock Exchange, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change and Amendment Number 1 Thereto Relating to Participant Fees and Credits

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on October 31, 2007, The Chicago Stock Exchange, Inc. (“CHX” or “Exchange”) filed with the Securities and Exchange Commission (the “Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been substantially prepared by the Exchange. On November 19, 2007, CHX filed Amendment No. 1 to the proposed rule change. The Exchange has designated this proposal as one establishing or changing a due, fee, or other charge imposed by the Exchange under Section 19(b)(3)(A) of the Act³ and Rule 19b-4(f)(2) thereunder,⁴ which renders it effective upon filing with the Commission. The Commission is publishing this notice to solicit comments on the proposed rule change, as amended, from interested persons.

I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

The CHX proposes to amend its Schedule of Participant Fees and Credits (the “Fee Schedule”) to: (a) provide that port fees would not be charged to participant firms that provide a certain amount of liquidity to the “Matching System”⁵; (b) modify the “provide” credits

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(3)(A).

⁴ 17 CFR 240.19b-4(f)(2).

⁵ See generally, CHX Rules, Article 20.

associated with trades in Tape B securities to create an incentive to send orders in these and other securities to the Matching System; (c) modify the fees for the receipt of orders through the CHX Connect network; and (d) add new fees in connection with the processing of away-market trades that are sent to clearing through the Exchange's facilities. The text of the proposed rule change is available at the Exchange's Web site, http://www.chx.com/rules/proposed_rules.htm, the Exchange, and the Commission's Public Reference Room.

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, CHX included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. CHX has prepared summaries, set forth in Sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

Through this filing, the Exchange would amend its Fee Schedule in several ways. First, the Exchange would amend the Fee Schedule to provide that port fees would not be charged to participant firms that provide a certain amount of liquidity to the Matching System.⁶ Specifically, port fees would not be charged to a participant firm for any month in which that firm executes an average daily volume of 5 million or more provide shares in the Matching

⁶ Under the Exchange's Fee Schedule, port charges of \$400 per month currently are assessed for each participant give-up that has access through a participant connection to the Matching System. Port charges are not assessed for access to the Matching System through the Exchange's Brokerplex system.

System.⁷ The Exchange believes that it is appropriate to eliminate the port fees charged to participant firms that send a high level of volume to the Matching System because the Exchange's costs of providing services to these firms are offset by the revenues produced by the firms' trading activity on the Exchange.

As its second Fee Schedule change, the Exchange would modify the provide credits associated with trades in Tape B securities to create an incentive for CHX participants to send orders in these and other securities to the Matching System. Under the current Fee Schedule, the Exchange charges a \$.0029/share take fee and pays a \$.0026/share credit in connection with the execution of single-sided orders of 100 or more shares in the Exchange's Matching System. The Exchange proposes to increase, to \$.0036/share, the credit paid for trades in Tape B securities, for any participant firm that executes an average daily volume of 5 million or more provide shares in Tape A and/or C securities in the Exchange's Matching System. The Exchange also proposes to increase, to \$.0032/share, the credit paid for trades in Tape B securities, for any participant firm that executes an average daily volume of fewer than 5 million provide shares in Tape A and/or C securities.⁸ These increases in the credit paid for trades in Tape B securities are in direct response to price changes announced by other market centers and are designed to create an incentive for CHX participants to send orders in Tape B securities to the CHX, rather than to other markets.⁹

⁷ A "provide" share is one that is given a provide credit under the take/provide provisions of the Exchange's Fee Schedule. See Fee Schedule, Section E(1). In calculating a firm's average daily volume, the Exchange would not count activity on days when the Exchange closes early.

⁸ In calculating a firm's average daily volume, the Exchange would not count trading activity on days when the Exchange closes early. The Exchange calculates a firm's ADV based on the total number of provide shares executed in the Exchange's Matching System for each full trading day in a month, divided by the number of full trading days.

⁹ The Exchange's proposal to make the top tier of the credit available to firms that execute

Another proposed change to the Fee Schedule would modify the fees for the receipt of orders through the CHX Connect network.¹⁰ Under the current Fee Schedule, the Exchange charges a \$5,000 per month fee to any participant firm that receives orders through the CHX Connect network. The Exchange proposes to increase this fee to \$10,000/month and charge an additional fee of \$.0004/share for executions that are processed by the network. These changes are designed to help cover the costs of providing the network. The Exchange, however, proposes to reduce the base fee from \$10,000 per month to as low as \$5,000 per month, by applying a credit of \$.0004 for each provide share executed in the Exchange's Matching System.¹¹ This credit would create an incentive for users of the CHX Connect network to send orders to the Exchange's Matching System.

The last proposed change to the Fee Schedule would add new fees in connection with the processing of certain away-market trades that are sent to clearing through the Exchange's facilities. Under the Exchange's existing Fee Schedule, the Exchange charges a \$.0015/share fee for the clearing-related processing of away-market trades in securities that are not listed or traded pursuant to unlisted trading privileges on the Exchange. The Exchange proposes to increase this fee to \$.0035/share for clearing reports in Tape A and B securities and to \$.0025/share for

at least a certain number of shares in Tape A and C securities similarly is designed to create an incentive for firms to send orders in these securities to the Exchange.

¹⁰ The Exchange's CHX Connect system is a communications service that allows its participants to route orders to any destination connected to the CHX's network, including (1) the CHX Matching System; (2) CHX institutional brokers; (3) market makers or other broker-dealers connected to the CHX's network, which provide order handling and execution services in the over-the-counter market; and (4) other destinations (including order-routing vendors) that are connected to the CHX's network. See Securities Exchange Act Release No. 54846 (November 30, 2006), 71 FR 71003 (December 7, 2006) (SR-CHX-2006-34). Fees are charged under the Fee Schedule to participants that receive orders through this service.

¹¹ No credits will be carried over from month to month.

clearing reports in Tape C securities up to a maximum of \$100 per side.¹² The Exchange also proposes to apply the fees to trades in all securities, instead of limiting the fee to securities that are not listed or traded on the Exchange, to better allocate the Exchange's costs across all of these clearing-only reports.¹³ These fee changes are designed to help offset the Exchange's costs of processing these transactions for clearing.

All of the proposed fee changes, except the change to the CHX Connect fees, would take effect November 1, 2007. The proposed changes to the CHX Connect fees would take effect December 1, 2007.

2. Statutory Basis

The proposed rule change is consistent with Section 6(b)(4) of the Act¹⁴ in that it provides for the equitable allocation of reasonable dues, fees and other charges among its members.

B. Self Regulatory Organization's Statement on Burden on Competition

The Exchange does not believe that the proposed rule changes will impose any burden on competition.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants or Others

No written comments were either solicited or received.

¹² These fees would be assessed only on away-market trades that are reported to the tape, but not to clearing, in another market. The fees would be charged for each report that is submitted to clearing through the Exchange's systems.

¹³ With the introduction of the Exchange's electronic book and its move to its new trading model, the Exchange has begun trading more securities pursuant to unlisted trading privileges, leaving fewer issues that are neither listed nor traded on the Exchange. The Exchange believes it is no longer appropriate to assess these processing fees only on a subset of the reports that are sent to clearing.

¹⁴ 15 U.S.C. 78(f)(b)(4).

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The foregoing proposed rule change is filed pursuant to Section 19(b)(3)(A)(ii) of the Act¹⁵ and subparagraph (f)(2) of Rule 19b-4 thereunder¹⁶ because it establishes or changes a due, fee, or other charge applicable only to a member imposed by a self-regulatory organization. Accordingly, the proposal is effective upon Commission receipt of the filing. At any time within 60 days of the filing of the proposed rule change, the Commission may summarily abrogate such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.¹⁷

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-CHX-2007-26 on the subject line.

Paper comments:

- Send paper comments in triplicate to Nancy M. Morris, Secretary, Securities and

¹⁵ 15 U.S.C. 78s(b)(3)(A)(ii).

¹⁶ 17 CFR 240.19b-4(f)(2).

¹⁷ For purposes of calculating the 60-day period within which the Commission may summarily abrogate the proposed rule change under Section 19(b)(3)(C) of the Act, the Commission considers the period to commence on November 19, 2007, the date on which CHX filed Amendment No. 1. See 15 U.S.C. 78s(b)(3)(C).

Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-CHX-2007-26. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet Web site (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for inspection and copying in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10:00 am and 3:00 pm. Copies of such filing also will be available for inspection and copying at the principal office of CHX. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that

you wish to make available publicly. All submissions should refer to File Number SR-CHX-2007-26 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹⁸

Florence E. Harmon
Deputy Secretary

¹⁸ 17 CFR 200.30-3(a)(12).